

Committee on Ways and Means

H.R. 5394, to amend the Internal Revenue Code of 1986 to modify the taxation of arrow components.

H.R. 5394 was introduced on November 19, 2004, and is sponsored by Representative Paul Ryan.

Current Law and Reason for Change: Recently enacted arrow tax reforms impose an excise tax of 12% on the sale by a manufacturer, producer or importer of an assembled arrow. An excise tax of 12.4% is imposed on the sale by a manufacturer or importer of unassembled arrow components (shafts, nocks, points, or vanes). The reforms were passed to prevent imported arrows from gaining a price advantage by avoiding excise taxes borne by American made arrows.

The American archery industry has learned that reforms will have an unintended consequence on many small archery retailers, forcing these small businesses to engage in a great deal of record keeping in order to collect a relatively small amount of tax. In order to lift the burden from these small businesses while preventing domestic arrow companies from being uncompetitive, H.R. 5394 further amends the law to place the tax on finished arrows and shafts rather than other components.

H.R. 5394: The bill imposes a flat tax of 39 cents on the sale by the manufacturer, producer, or importer of any arrow shaft, whether sold separately or as part of an assembled arrow. The 39 cent rate is indexed for inflation after 2005. No other arrow components are taxed.